

Finetex EnE 2Q/2017 IR BOOK

2Q posted another highest Q_tly revenue after 1Q

<Analysis for Comparative Income Statements>

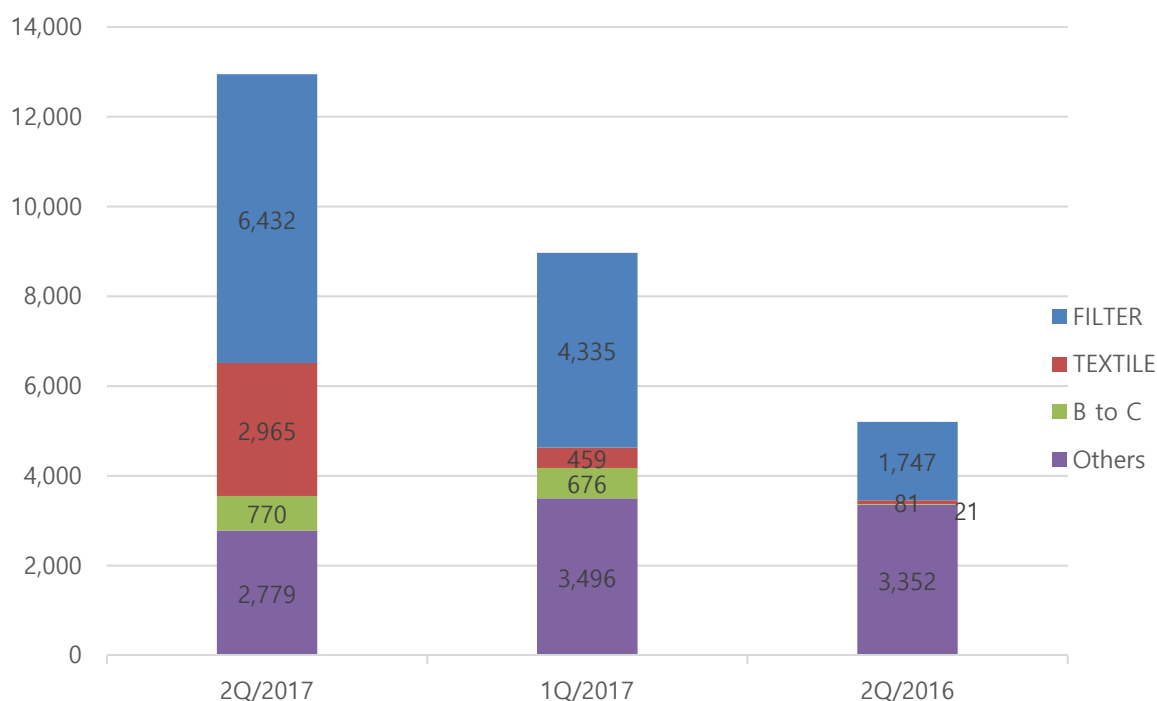
(KRW, Millions)

Items		2Q/2017(A)	%(A to B)	1Q/2017(B)	%(A to C)	2Q/2016(C)
Sales	Nano	12,946	44%	8,966	149%	5,201
	Energy	2,708	-12%	3,067	-51%	5,519
Gross Profit	Nano	4,710	157%	1,832	635%	641
	Energy	73	-93%	1,052	-91%	798
SG & A		4,768	54%	3,102	92%	2,483
Operating Income		15	-107%	- 217	-101%	- 1,044

<Analysis for Nano Sales>

(KRW, Millions)

Items		2Q/2017(A)	%(A to B)	1Q/2017(B)	%(A to C)	2Q/2016(C)
Sales	Filtration	6,432	48%	4,335	268%	1,747
	Textile	2,965	546%	459	3,556%	81
	B to C	770	14%	676	3,548%	21
	Others	2,779	-20%	3,496	-17%	3,352



2Q Overview

Filtration

Filtration division posted a 48% QoQ revenue growth (or 268% YoY) following the new global regulation which dictates filter makers to get rid of filter efficiency from electric charges. This trend will sustain the demand of ultrafine fibre-based filtration material or nano fibre.

Textile

Sales to Nike started to be reflected from 2Q 2017. Also, the demand for nano membrane has been sustainable with the revenue surging 550% from the previous quarter.

B2C

Stable revenue has been seen in face mask division on the back of on-line marketing. For window shield, we've signed up with 7 nationwide sales agencies and 11 special distributors. Also, TV ads started from June for window shield.

Profitability Review

With the surging revenue, we posted a marginal OP of W15mn due to:

- Energy division's GP declined W1.0bn from the previous quarter
- Advertising cost of W0.25bn related to window system and face mask
- One-off tax issue worth W0.24bn
- Most of all, write-off of account receivable worth W1.25bn reflecting CPA's conservative opinion. But, W0.85bn from these amount is likely to be recovered in upcoming 3Q.
- Others such as new factory pre-operation cost and R&D expense.

Net net, without considering one-off items, our normalized OP should be W2.26bn.

Outlook

- New membrane lines in Philippine will be in full operation from Sept.
- Sustainable sales to Nike will continue. In particular, from Nike's 2018 FW cycle, new target item with Nike will be applied in their flagship products. So, meaningful sales growth is expected.
- Starting from Sept 2007, CJ Group will roll out face mask to almost all local retail channels. (CVs, Supermarket, discount store, etc.) Previously, they sold face mask through their own CV channel called Olive & Young.
- Dust collector and bag filters are currently under testing by 7 local power plants. including KEPCO. Interim results came positive. Revenue generation is likely from 4Q
- Overall filtration sales will remain strong going forward thanks to ISO 16890.
- The JV with Yili in China will be in operation from 4Q.
- The weak Energy division will turn to normal from 3Q. YTD new order already exceeded the full orders received in 2016 thanks to new government's strong push into renewable energy.